

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-02 H-02 PA-01

PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 ARAE-00 /079 W  
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P 161658Z MAY 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 3289

C O N F I D E N T I A L SANTIAGO 3345

E.O. 11652: GDS

TAGS: EFIN, CI

SUBJECT: MINISTER OF FINANCE HIGHLY PLEASED WITH RESULTS OF  
TRIP TO U.S.

PASS TREASURY

1. SUMMARY. ECONOMIC "SUPER MINISTER" AND MINISTER OF FINANCE, JORGE CAUAS, WAS EXTREMELY PLEASED WITH RESULTS OF HIS CONVERSATIONS WITH OFFICIALS OF USG, INTERNATIONAL FINANCIAL INSTITUTIONS, AND PRIVATE BANKS DURING HIS RECENT TRIP TO U.S. CAUAS BELIEVES THAT IF, AS EXPECTED, \$150 MILLION LOAN FROM PRIVATE BANKS MATERIALIZES, CHILE CAN COVER ITS ANTICIPATED 1975 BALANCE OF PAYMENTS DEFICIT. END SUMMARY.

2. AMBASSADOR AND ECOM CONSELOR CALLED ON FIANCE MINISTER JORGE CAUAS MAY 16 TO GET HIS EVALUATION OF RECENT TALKS IN WASHINGTON AND NEW YORK WITH USG, IFI, AND PRIVATE BANK OFFICIALS. CAUAS BEGAN BY EXPRESSING DEEP APPRECIATION FOR ASSISTANCE AND UNDERSTANDING HE RECEIVED FROM DEPARTMENT AND TREASURY OFFICIALS. HE THEN RAPIDLY REVIEWED FOR US CHILE'S FOREIGN FINANCIAL POSITION, ON A CONFIDENTIAL BASIS, GOING WELL BEYOND HIS PUBLIC POSITION OR REASSURING GENERALIZATIONS.

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3. MAIN PURPOSE OF CAUAS' TRIP WAS TO COVER CHILE'S REMAINING 1975 BALANCE OF PAYMENTS GAP BY NEW BORROWING. KEY ELEMENT IN THIS WAS TO OBTAIN ADDITIONAL LOANS FROM U.S. AND CANADIAN BANKS. DURING SERIES OF MEETINGS WITH OFFICIALS OF 13 SUCH BANKS IN NEW YORK, FINANCE MINISTER ORIGINALLY PROPOSED NEW CREDITS TOTALLING \$250 MILLION TO BE REPAID OVER SEVEN YEARS, INCLUDING TWO YEARS GRACE. WHEN CAUAS LEFT NEW YORK HE HAD REACHED TENTATIVE UNDERSTANDING WITH STEERING COMMITTEE OF FOUR BANKS (CITY, CHEMICAL, MANUFACTURERS, MORGAN) THAT THEY WERE READY IN PRINCIPLE TO LEND SOME \$150 MILLION FOR SIX YEARS (INCLUDING TWO TO THREE YEARS GRACE). BANKS ASKED THAT GOC REPAYMENT BE GUARANTEED BY ASSIGNING TO BANKS PROCEEDS OF CERTAIN FUTURE COPPER SALES CONTRACTS. CAUAS IS CURRENTLY CLEARING THIS ARRANGEMENT WITHIN THE GOC. TO MEET CHILE'S SHORT-TERM CASH NEEDS WHILE DETAILS OF MEDIUM-TERM LOAN ARE NEGOTIATED, CAUAS HAD ASKED BANKS FOR INCREASE OF APPROXIMATELY \$150 MILLION IN LINES OF CREDIT.

4. ACCORDING TO CAUAS, EXPECTED PRIVATE BANK FINANCING WILL ALLOW GOC TO COVER ITS BALANCE OF PAYMENTS GAP IN 1975. HE FIXED MAGNITUDE OF GAP AT \$500 MILLION AFTER PARIS CLUB RESCHEDULING BUT BEFORE IMF, IBRD, IDB, CERTAIN SUPPLIER CREDITS, AND PRIVATE BANK LENDING. DRAWDOWNS ON NEW AND EXISTING CREDITS FROM IFI'S PLUS NEW SUPPLIER CREDITS WILL COVER ALL BUT \$130 MILLION ACCORDING TO GOC FIGURES. CAUAS CALCULATES THAT PRIVATE BANKS LOAN WILL DO THE REST. THESE NUMBERS ARE PREDICTED ON VERY RESTRICTED IMPORT LEVEL RESULTING FROM REDUCTIONS IN GOC DOLLAR BUDGET, REALISTIC EXCHANGE RATE, AND LOWER LEVEL OF ECONOMIC ACTIVITY--ALL OF WHICH ARE PARTS OF GOC'S ECONOMIC RECOVERY PROGRAM.

5. CAUAS TOUCHED ON HIS CONVERSATION WITH IBRD PRESIDENT MCNAMARA. WITH APPROVAL OF \$20 MILLION AGRICULTURAL LOAN, CHILE HOPES NOW TO PUSH AHEAD ON \$30 MILLION IBRD COPPER DEVELOPMENT LOAN. FERNANDO LENIZ, FORMER MINISTER OF ECONOMY AND PRESENTLY DEPUTY VICE PRESIDENT OF CHILEAN COPPER CORPORATION, PLANS TO VISIT WASHINGTON LATE MAY TO CLEAR UP TECHNICAL DETAILS.

6. IN COMMENTING ON VOTE WITHIN IBRD ON AGRICULTURAL LOAN,  
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CAUAS SAID HE WAS NOT SURPRISED BY AN COUNTRY POSITION EXCEPT THAT OF JAPAN. HE WAS UNABLE TO RECONCILE JAPAN'S ABSTENTION IN WORLD BANK WITH ITS HELPFUL AGITATION DURING PARIS CLUB MEETING, AND SAID GOC WAS WATCHING JAPANESE ACTIONS CAREFULLY.

7. COMMENT: CAUAS WAS CLEARLY VERY CHARGED UP DURING OUR TALK. HE WILL NEED THIS ENERGY, BECAUSE AS SUPER MINISTER

HE IS A MAN WITH TREMENDOUS RESPONSIBILITIES AND TOO LITTLE  
TIME. WE HAD THE IMPRESSION THAT HE FEELS THAT CHILE'S  
INTERNATIONAL FINANCIAL SITUATION, WHILE FAR FROM ROSY, IS  
NOW ESSENTIALLY UNDER CONTROL, SO THAT HE CAN DEVOTE THE  
BULK OF HIS ATTENTION TO DOMESTIC PROBLEMS.

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## Message Attributes

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